



TO: Mayor & Council Members

FROM: Spencer Cronk, City Manager

DATE: June 27, 2018

SUBJECT: Update on Strategic Facility Planning Efforts & Redevelopment of City Property

During the discussion of Item #28 at City Council's work session meeting on June 12 regarding the relocation and consolidation of several departments into leased space, City Council expressed concern over several aspects of the proposed agreement. The purpose of this memo is to provide background regarding staff's strategic facilities planning efforts.

Strategic Facility Planning

After the development of the Strategic Facility Roadmap in 2012, a Strategic Facility Governance Team (SFGT) was created to move away from ad-hoc facility decisions. The formation of this cross-departmental team (Finance, Office of Real Estate Services, Building Services) has led to a more rigorous and analytical approach to facilities planning. In March 2016, staff presented to City Council a strategy to address the many facility needs and demands the City was facing. Overcrowded, sub-standard, and inflexible space had created many space and operational challenges throughout the organization. A main result of this was the increasing use of a lease-on-demand model to address departmental facility needs.

At that March 1, 2016 City Council work session briefing, staff highlighted the major facility-related efforts that were in planning stages. Below are status updates on those efforts:

- *Planning & Development Center:* Due to severe overcrowding in One Texas Center, and after a space programming analysis, the city issued a Request for Proposal (RFP) to utilize a new third-party financing model to deliver a build-to-suit 265,000 square foot building. The City Council approved this transaction in August 2017. Groundbreaking for the new building to be located at the ACC Highland Mall campus will occur this fall, with opening in spring of 2020. This new model resulted in significant costs savings, as well as delivery in a timelier manner.
- *Municipal Court:* Staff completed detailed space programming and space specifications for a new court facility. Due to the rapidly deteriorating condition of the existing Municipal Court, a new leased location for Municipal Court was approved by City Council in May; the long-term solution will be to transition to owned space utilizing the third-party financing model.

- *Sobering Center:* After a multi-year planning process, kicked off by a 2014 City Council resolution, in September 2016 the City of Austin and Travis County entered into an inter-local agreement to form a Sobriety Center Local Government Corporation. The former site of the Travis County Medical Examiner's Office building is currently being renovated and slated to be complete this August.
- *Austin Energy:* Austin Energy has outgrown their space in Town Lake Center, resulting in the need for additional lease space. In April 2017, Austin Energy staff presented a comprehensive update on their facility needs to the Austin Energy Utility Oversight Committee. This update included the plan to utilize the third-party financing method via a RFP, in order to consolidate administrative functions in a new headquarter facility. The RFP was issued in November; on the June 28 City Council agenda there will be an action item to approve an Exclusive Negotiating Agreement with the top ranked development team. Approval of the final transaction would come back to City Council in the fall.

As part of the March 2016 briefing, staff also highlighted the need for replacement of the *Dougherty Arts Center*. It was determined that the third-party financing method was not a viable use for this need. Instead, in June 2017, \$25 million for the Dougherty Arts Center was included in the staff starting point for the Bond Election Advisory Task Force (BEATF). Those funds were recommended by BEATF, and are currently in the bond program proposal that City Council is considering.

City Council had also directed staff to look at adding new fire stations to address increasing demand. While the use of third-party financing for these fire stations was explored, last week Public Works staff outlined an expedited process to construct two of the highest priority stations.

Looking Ahead

As we begin to implement the city-wide Strategic Direction 2023 plan, moving to a more "networked" organization, the SFGT will be elevated to include representatives from the City Manager's Office level to ensure a more holistic, city-wide focus.

Upcoming efforts include working with our development advisor, CBRE, to create a lease-exit strategy, and create an action plan to accelerate the City's move into owned space. In the interim, and as has been highlighted recently, the use of lease space for administrative needs will be required. Although, as with the leases recently approved by City Council, we will explore consolidating lease space and look for co-locating opportunities.

Administrative space for Austin Police Department (APD), Fire Department, and Emergency Medical Services (EMS) needs to be addressed. Current space is sub-substandard and has no opportunities for growth; in addition, these current facilities face development pressure. The approved Waller Creek Design Plan calls for redevelopment of the APD Headquarters & Municipal Court complex. Likewise, EMS is located in the city-owned RBJ building. However, this building is adjacent to a site owned by the non-profit Austin Geriatric Center (AGC), and AGC is working on redevelopment of a senior housing project there. The Fire Department's building has been impacted by the US183 toll road project.

The newly reconstituted SFGT will also begin focusing on warehousing needs and service yard consolidation, aligning portfolio and service crews with current policy goals. The SFGT will be

working over the summer and plans to provide City Council with a comprehensive update in the fall.

Redevelopment of City Property

In response to various City Council resolutions on the re-use of City-owned land, at the March 6 City Council work session staff presented a "Framework for Redevelopment of City Land" that was geared toward maximizing community benefits such as affordable housing, creative space, parkland, and partnerships with non-profits. Key to this framework was a new process, built on inter-disciplinary analysis and evaluation of sites. As was indicated to City Council during that briefing, the Economic Development Department will be providing a progress report of the overall effort, including the opportunity sites identified in that presentation. This information will be available later in the year.

Additionally, the City successfully acquired two properties from the Austin Independent School District (AISD) that closed in April 2018. The properties have been transferred to Austin Housing Finance Corporation for the development of affordable housing.

Capital Project Delivery

After facility projects are identified to be constructed, we then move into implementation mode (Capital Project delivery). In order to build these projects as efficiently and effectively as possible, the existing Capital Project delivery system needs to be revamped. Council identified this need when setting the aggressive implementation schedule for the 2016 Mobility Program. In the "contract with the voters" for the 2016 Mobility Bond, Council directed the City Manager to "analyze existing capital project delivery systems and processes in order to recommend potential changes and resource requirements to complete the bond program within eight years from initiation." This analysis has launched in earnest.

Two changes to the Capital Project delivery process that you will hear more about in the future involve permitting and executive oversight. In regards to permitting Capital Projects, we are developing a concept that would assign capital project development review to a team focused on the City's capital program (including new facilities). By ensuring that the same employees are involved in review at an earlier stage in the design process and then reviewing these projects at the permit stage will create efficiencies. As we work to develop this concept further we will keep Council informed.

As to executive oversight, similar to the SFGT being elevated to include representatives from the City Manager's Office level as discussed above, we are also going to engage the City Manager's Office and the Chief Financial Officer in a more focused, more detail oriented oversight role in the implementation/delivery of the City's capital projects. As you know, we have already implemented this oversight for the 2016 Mobility Bond and intend to launch this same system for other capital projects, including the potential 2018 Bond Program. We are seeing benefits in efficiencies and production using this focused effort in the 2016 Mobility Bond and want to ensure that those lessons learned are replicated within the rest of the city's capital program. We will keep you informed as we move forward with this change as well.

Please let us know if you have any questions about these efforts.

cc: Elaine Hart, Chief Financial Officer
Assistant City Managers